



**Item No. D.2.b
Board of Directors
June 21 & 22, 2012**

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
THURSDAY, APRIL 12, 2012 AT 2:30 PM
FRIDAY, APRIL 13, 2012 AT 8:30 AM
Alliant Insurance Services, Newport Beach, CA**

MEMBERS PRESENT

Tom Vance, City of Anaheim
Dave Nunley, City of Anaheim (*Thursday, April 12th*)
Betsy Dolan, City of Burbank
Mary Akin, City of Modesto
Rhonda Combs, City of Monterey
Ann Richey, City of Ontario
Sandra Blanch, City of Palo Alto
Mark Howard, City of Santa Barbara
Barbara Choi, City of Santa Cruz
Charlotte Dunn, City of Visalia
Deb Hossli, City of Santa Monica

MEMBERS ABSENT

Jena Covey, City of Bakersfield
Claudia Koob, City of Mountain View

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Monica Sandbergen, Alliant Insurance Services
Keyan Aghili, Carl Warren & Company

A. CALL TO ORDER

President Ann Richey called the meeting to order at 2:34 p.m.

B. CONSENT CALENDAR



B1. Approval of Minutes for the February 14, 2012 Board Meeting

A motion was made to approve the minutes as presented.

MOTION: Sandra Blanch **SECOND:** Mary Akin **MOTION CARRIED**

C. GENERAL RISK MANAGEMENT ISSUES

Rhonda Combs advised that she had sent out an email to the members inquiring about whether any ACCEL members purchase Volunteer Liability Insurance. Ms. Combs advised that 7 members responded to her inquiry and it appears that the City of Monterey is the only member entity who purchases a Volunteer Liability Insurance Policy for their volunteers.

Conor Boughey advised that a Discussion Board has been posted on ACCEL's website and questions similar Rhonda's Volunteer Liability Insurance question can be posted there. Mr. Boughey advised that responses will be memorialized on the Discussion Board.

D. REPORTS

D1. President's Report

D1a. Appointment of Nominating Committee

Ann Richey asked for 2 volunteers to be on the nominating committee. Deb Hossli and Rhonda Combs volunteered to be on the Nominating Committee and will be contacting the Member Agencies requesting nominations for ACCEL's various committees. Ann advised the members that when they are contacted by Deb and Rhonda, to be advise which committee they prefer to be on.

D1b. Items of general interest

None.

D2. Claims Committee

D2a. The ACCEL Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95

A motion was made to enter into closed session at 3:30 PM pursuant to Government Section Code 54956.95.

MOTION: Mary Akin **SECOND:** Betsy Dolan **MOTION CARRIED**

A motion was made to come out of closed session at 4:10 PM

MOTION: Charlotte Dunn **SECOND:** Sandra Blanch **MOTION CARRIED**



Mark Howard, ACCEL's Claims Chair, reported that direction was given to Carl Warren on the Taylor vs. Burbank claim.

D3. Financial and Treasurer's

D3a. Ratification of Disbursements for months ending January 31, 2012, February 29, 2012 and March 31, 2012

Betsy Dolan reported on the Disbursements for January, February and March. Ms. Dolan pointed out that a claim payment check made written in February had to be voided because it was written for an incorrect amount. The check was rewritten for the correct amount.

D3b. Report of Investments for months ending January 31, 2012, February 29, 2012 and March 31, 2012

Betsy Dolan advised that ACCEL's investment values increased slightly for January but decreased in February.

A motion was made to receive and file items D3a and D3b.

MOTION: Mark Howard **SECOND:** Rhonda Combs **MOTION CARRIED**

D3c. June 30, 2012 Financial Audit Contract Extension

Conor Boughey advised that ACCEL entered into a three year contract with Matthew Nethaway of Crowe Horwath (formerly Perry Smith) on June 30, 2009 and that Mr. Nethaway has sent a two year contract extension for the Board's review. Mr. Boughey further reported that the proposed fee is the same as the June 30, 2011 annual fee of \$26,500.

A motion was made to approve and accept the two year contract extension with Crowe Horwath for Financial Audit Services.

MOTION: Tom Vance **SECOND:** Deb Hossli **MOTION CARRIED**

D4. Program Administrator's

D4a. Account Time Tracking as of December 31, 2011

Michael Simmons reported that Alliant's Account Time Tracking is provided as an information item and that Alliant's contract with ACCEL for Program Administration is not based on the hours provided in this item.

Conor Boughey advised Alliant's composite rate continues at \$125/hr, even with the CPI increase. The reason for increases in hours has to do with training and with special projects, some as the Rating Plan Calculation. Conor advised that Myron Leavell is a new person on the team and is part of Alliant's new JPA Admin team and is responsible for more of the



Administrative items for ACCEL and other pools. Conor also stated that Myron is responsible for the coordination of the check runs, etc.

D5. Underwriting Committee Meeting

D5a. Underwriting Standards Policy and Procedure

Tom Vance advised that the first draft of the Underwriting Standards Policy & Procedure was presented to the members at the February 14, 2012 Board meeting and has since been revised. Mr. Vance further stated that the Policy & Procedure was narrowed down to specifically address how ACCEL should handle inter-service agreements that the member agencies enter into with other cities. Mr. Vance stated that the Underwriting Committee met on April 9th and made additional revisions, which were added to the Policy & Procedure included in the agenda packet. Mr. Vance further stated that ACCEL needs a Policy & Procedure on “general” exposures that should be brought to the Board outside of inter-service agreements.

The following revisions to the Policy & Procedure were recommended:

- Amend # 6 of the “Procedure” section to read: “A situation or arrangement in which the Member Agency shares management staff (by position, such as battalion chief, not necessarily any named individuals) with another *entity*...”
- Revise the wording of the 3rd Paragraph under “Policy Statement” to read: “For Service Agreements entered into subsequent to the Date of this policy, this Policy provides requirements for when a Member Agency shall bring a Service Agreement to the attention of ACCEL.
- Delete the very last paragraph in its entirety.

A motion was made to approve the Policy & Procedure for Underwriting Standards Regarding Service Agreements with Other Entities with the above noted revisions.

MOTION: Mark Howard

SECOND: Mary Akin

MOTION CARRIED

D5b. Santa Monica Pier Corporation

Deb Hossli advised that the City of Santa Monica has had a Pier Restoration Corporation in effect since the mid-80’s. The Corporation is its own legal entity and the only member to participate in the legal entity is the City of Santa Monica. It has a Board of Directors that are appointed by the City Council. The purpose of the Pier Restoration Corporation was to manage the Pier. The city maintains the pier, but the Pier Restoration Corporation was responsible for selecting the tenants on the pier and event planning/management. The Pier Corporation has redrafted the agreement and has reduced its scope of work from leasing the sites on the pier to just the event planning/management.

The Pier Corporation has a \$1,000,000 General Liability policy and would like the City of Santa Monica to indemnify them for anything not covered under the Pier Corporation’s policy



or for any claim that exceeds the \$1M limit and would also like ACCEL to name the Pier Corporation as a named insured on its policy.

Ms. Hossli further reported that the Pier Corporation has five employees that are Pier Corporation employees, not city employees. They are hired by the Pier Corporation and managed by the Pier Corporation.

Deb Hossli advised that she does not believe that ACCEL should cover the Pier Corporation's employees, but is bringing it to ACCEL so that she can have a formal answer/response to the Pier Corporation's request.

Tom Vance advised that the Underwriting Committee met and discussed this issue on April 9, 2012 and reported that it is the Underwriting Committee's recommendation that ACCEL not cover the Pier Corporation due to the fact that it's a non-governmental employee with its own employees. Tom Vance recommended that the City of Santa Monica require the Pier Corporation to name them as a named insured on their policy.

A motion was made to agree with the Underwriting Committee's decision to deny coverage to the Pier Corporation.

MOTION: Mark Howard **SECOND:** Charlotte Dunn **MOTION CARRIED**

E. UNFINISHED BUSINESS

E1. Excess Liability Renewal – Update from C.V. Starr & Company

Dan Howell introduced Frank Tanabe from C. V. Starr & Company and advised that Mr. Tanabe has been ACCEL's Excess Liability underwriter since 1995. Frank Tanabe is head of C.V. Starr's West Coast underwriting operation. Frank Tanabe provided a brief background of C.V. Starr, how it got started and its history with AIG.

Mr. Tanabe advised that for the 2012 renewal, subject to no adverse loss development or material change in exposure, C.V. Starr will most likely be able to offer a flat renewal on ACCEL's \$10M Excess \$5M policy. Starting in 2013, C.V. Starr will most likely be increasing rates. Mr. Tanabe stated that after years of offering 5-7% rate decreases on its book of business, the company is looking at its profitability and will need to increase its rates in 2013 to maintain its profitability.

Mr. Tanabe reported that C.V. Starr will be adding Crisis Management into their policy form.

Dan Howell asked Mr. Tanabe if he sees any developments with Cyber Liability. Mr. Tanabe advised that C.V. Starr is looking into this exposure and is making the determination whether it wants to write this type of coverage or not.



E2. Status Report of Excess Liability Program Renewal

Dan Howell advised that C.V. Starr will offer ACCEL a flat renewal for 2012. Mr. Howell further advised that he discussed the program with an underwriter at Houston Casualty. Houston Casualty advised that they won't be able to offer a more competitive rate. Mr. Howell reported that Munich Re provided an indication of \$3,000,000. Genesis can't quote a better price. Scottsdale doesn't want to write the primary layer of \$10M xs \$5M due to the risk associated with that layer. Dan stated that ACCEL's current pricing is a very good deal from an actuarially and underwriting standpoint. Mr. Howell advised that Lexington is asking for increases on their entire book and will most likely ask for an increase on ACCEL's \$25M Excess \$25M layer. Dan Howell advised that ACCEL may want to research other viable markets on the \$25M Excess \$25M layer.

Direction was given to the Program Administrators to seek a flat renewal with C.V. Starr and to attempt to secure a two year pre-paid policy with pricing equivalent to a flat renewal with a 5% increase in year two.

E3. Status of Excess Workers' Compensation Renewal

Conor Boughey advised that he emailed the members discussing the State of Market. Version 3 estimates were included in the agenda packet. CSAC has started to include the ex-mod in their premium estimate reports. Conor advised that as of right now, it looks like the members should expect an increase of about 12% for 2012. Ann Richey advised that the City of Ontario will be increasing their SIR for 2012. Tom Vance advised that the WC rates are set by CSAC's Underwriting Committee and that it was a very lengthy process setting the rates for 2012. Conor Boughey stated that Visalia and Burbank do not participate in the CSAC WC Program. Rhonda Combs advised that for Monterey's 2013 WC Renewal, she would like to obtain quotes/indications out of CSAC. Mike Simmons advised that the lowest SIR that Alliant can obtain outside of CSAC is \$1,000,000. Mike Simmons further advised that once a member leaves the CSAC program and obtains coverage outside of the program, that member can't obtain WC coverage through CSAC for 3 years. Ms. Combs stated that she would like to start the quoting process for their 2013 WC Renewal in January of 2013. Conor stated that Alliant won't be able to obtain quotes in January, but only indications from outside markets. Mike Simmons advised that in September of this year, Alliant will search their database for members who have WC coverage outside of CSAC and will pull those members' rates who are comparable in size to the City of Monterey. Mr. Simmons advised Alliant will provide Rhonda with an indication during the first quarter in 2013 based on this information. Rhonda requested that she be provided with indications in writing.

E4. CSAC Subsidy Funds – Revisited

Conor Boughey advised that ACCEL has \$8,500 in CSAC Subsidy Funds to spend on loss prevention. Mike Simmons further advised that if members of CSAC don't start using their subsidy funds, the CSAC Board will most likely make the determination that the subsidy funds are of no value to its members. Charlotte Dunn asked for suggestions/ideas on what to use the Subsidy Funds for. Conor Boughey stated that the funds could go towards offsetting the premium for Target Solutions, but only 5 of the 10 members participate in Target Solutions.



Deb Hossli suggested splitting the \$8,500 equally among the members and the members can spend their portion at their own discretion. Conor Boughey stated that the members will need to provide documentation to CSAC of how they spend their portion of the subsidy funds and that the subsidy funds are based on a reimbursement policy. Tom Vance asked how much of the total subsidy funds are allocated to each member. Conor advised that each of the 10 members in the CSAC Program are allocated \$850 to spend on loss prevention/safety services. After further discussion, it was decided that each ACCEL member in the CSAC program will submit an invoice to Alliant. Alliant will then submit those invoices to CSAC for reimbursement to the member.

A motion was made to allocate \$850 to each ACCEL member who participates in the CSAC WC Program to spend on loss prevention/safety services with the understanding that those members will submit an invoice/documentation to Alliant in order to be reimbursed by CSAC.

MOTION: Tom Vance **SECOND:** Mark Howard **MOTION CARRIED**
Abstention: Charlotte Dunn

E5. Approval of the 2012 Actuarial Report

Conor Boughey advised that the draft Actuarial Report was presented to the members at the February Board meeting and that the report included in today's agenda packet has been reviewed for typos. The Board postponed action at the February meeting until this meeting in order to properly review the document.

A motion was made to receive and file the 2012 Actuarial Report.

MOTION: Tom Vance **SECOND:** Mark Howard **MOTION CARRIED**

E6. ACCEL's Custodial Account at Union Bank of California

Conor Boughey advised that at the February Board Meeting, action was taken to move ACCEL's custodial account from Union Bank of California to US Bank due to the fee increase at UBC from \$3,500 a year to \$7,500. Conor further reported that US Bank offered similar custodial services for \$1,250 per year, and that most of Chandler Asset Management's public entity clients are moving their accounts from UBC. Conor advised that since the February Board Meeting, the custodial account at US Bank has been opened, and assets are being transferred from UBC to US Bank as quickly as possible. The checking account and sweep account will remain with UBC.

No action needed.

F. NEW BUSINESS

F1. Draft Administration Budget

Conor Boughey presented the 2012-2013 Draft Administration Budget and advised that the 2012 budget has been reduced from \$463,000 to \$459,500. Conor advised that the adjustments



in the 2012 included an increase in the Program Admin Fee to match the contract, a decrease in the Custodial Account line item to reflect the change to US Bank, a decrease in the Legal budget line item, and a decrease in the Insurance and Bonds line item to reflect the decrease in premium for E&O and Crime Coverage.

A motion was made to approve the 2012-2013 Administration Budget as presented

MOTION: Tom Vance **SECOND:** Ann Richey **MOTION CARRIED**

F2. Draft Retrospective Rating Calculation

Conor Boughey advised that the retro calculation includes the information of claims data from the members, retro payments owed or refunded to ACCEL during FY 11/12, the Actuary's IBNR as of December 31, 2011 and ALAE as of December 31, 2011. Conor further stated that before the June Board Meeting the Retro will be updated with Tim Farley's audit of all claims excess of \$25,000. Conor advised that this is a very close estimate of what will be presented at the June Board meeting.

The members were reminded that if they would like to withdraw funds, they need to submit the request in writing to the Treasurer and the Program Administrators, stating the amount they would like refunded and from which Program Year they want to withdraw the funds from. Mike Simmons further advised the members to notify the Program Administrators by June if they are planning on withdrawing funds.

Rhonda Combs advised that Monterey would like to withdraw \$200,000. Mark Howard stated that Santa Barbara would like to withdraw \$600,000.

The finalized version of the retro will be presented at the June Board Meeting.
No action necessary.

F3. Investment Policy – Annual Review

Conor Boughey advised that each year the Program Administrators ask Chandler Asset Management to review ACCEL's Investment Policy and advised the Board of any suggested changes. Conor Boughey advised that Chandler recommended changing the investment ratings to be equal to A, A2 and A- and A3 so that they are congruent between the two rating companies, Moody's and S&P.

A motion was made to approve the changes made to ACCEL's Investment Policy.

MOTION: Mary Akin **SECOND:** Mark Howard **MOTION CARRIED**

F4. Conflict of Interest Code

Conor Boughey advised that every other year, ACCEL's Conflict of Interest code is looked at to see if it needs to be updated. Conor stated that this year, ACCEL's Conflict of Interest Code has been amended to be in compliance with new FPPC requirements. In the past, Alliant would



file the original notice and send a copy to the FPPC, however, now the FPPC requires the original copy, and Alliant will hold a copy of the filing.

A motion was made to approve the amendments to ACCEL's Conflict of Interest Code.

MOTION: Tom Vance **SECOND:** Rhonda Combs **MOTION CARRIED**

F5. Schedule of the Next Two Board of Directors Meetings

Conor advised the members that the next Board meeting will take place in June in Palo Alto and that October's Board meeting will take place in October in Anaheim.

No action necessary.

G. CORRESPONDENCE/INFORMATION

None.

H. PUBLIC COMMENTS

None.

ADJOURNMENT

President Ann Richey adjourned the meeting at 5:15 p.m. on Thursday, April 12, 2012.

President Ann Richey adjourned the meeting at 10:37 a.m. on Friday, April 13, 2012.